

## Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 OES-09 SOE-02 ICA-20 PA-02  
INT-05 AGRE-00 CIAE-00 INR-10 NSAE-00 /069 W  
-----035530 011917Z /42

P R 011500Z AUG 78  
FM AMEMBASSY ROME  
TO USDOC WASHDC PRIORITY  
INFO SECSTATE WASHDC 4600  
DOE  
AMCONSUL MILAN  
AMEMBASSY PARIS

UNCLAS SECTION 1 OF 2 ROME 14078

E.O. 11652: N/A  
TAGS: BEXP, XG, XF, ENRG, TECH  
SUBJECT: MEDITERRANEAN BASIN ENERGY CONSERVATION TECHNOLOGY  
EXHIBITION ANDCONFERENCE, U.S.TRADE CENTER,  
MILAN, MARCH 26-30, 1979

REF: STATE 150425, USDOC 13590

1. IN ITALY INDUSTRIAL USES OF ENERGY (NOT INCLUDING RELATED  
TRANSPORTATION) ACCOUNTED IN 1972 FOR APPROXIMATELY 50 PERCENT  
(470.4 X 18E12 KCAL) OF FINAL ENERGY DEMAND (TRANSPORTATION  
ACCOUNTS FOR LESS THAN 20 PERCENT AND RESIDENTIAL AND COMMERCIAL  
ENERGY USE FOR ABOUT 30 PERCENT). WITHIN INDUSTRY THE FOLLOWING  
WERE THE MAJOR ENERGY-USING SECTORS (ENERGY CONSUMPTION IN  
10E12 KCAL, PERCENTAGES IN PARENTHESES).

|                                                            |              |
|------------------------------------------------------------|--------------|
| CHEMICALS AND PETROCHEMICALS                               | 195.0 (41.0) |
| NON-METALLIC MINERALS(PRIMARILY CONSTRUCTION<br>MATERIALS) | 79.4 (16.8)  |
| IRON AND STEEL                                             | 66.5 (14.1)  |
| FOOD                                                       | 27.4 ( 5.8)  |
| MECHANICAL INDUSTRIES                                      | 24.9 ( .3)   |

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|                       |             |
|-----------------------|-------------|
| TEXTILES AND CLOTHING | 23.5 ( 5.0) |
| PAPER                 | 17.3 ( 3.7) |

FUELS USED IN INDUSTRY WERE AS FOLLOWS:  
PETROLEUM DERITATIVES 281.2 (59.9)  
NATURAL GAS 82.2 (17.5)  
ELECTRICITY 61.5 (13.1)

COAL AND COAL DERIVATIVES 45.5 (9.7)

WITH THE EXCEPTION OF IRON AND STEEL, WHERE COAL IS THE MAJOR FUEL, ALL THE INDUSTRIAL SECTORS USE PRIMARILY PETROLEUM. 35 PERCENT OF THE INDUSTRIAL ELECTRICAL DEMAND IS PRODUCED BY INDUSTRY ITSELF, LARGELY BY COGENERATION.

2. OUR SOURCES DO NOT REPORT NOT TELL US THE ENERGY SERVICES PROVIDED WITHIN EACH INDUSTRIAL SECTOR, AS REQUESTED PARA 2 REFTEL. HOWEVER, IN ADDITION TO THE ABOVE INDUSTRIAL USES, ITALY IN 1972 (73) \$37.7 X 10<sup>12</sup> KCAL FOR COMMERCIAL SPACE HEATING AND 55.4 X 10<sup>12</sup> KCAL FOR FREIGHT TRANSPORTATION. SPACE COOLING IS VIRTUALLY NONEXISTENT IN ITALY, WITH ONLY .9 X 10<sup>12</sup> KCAL FINAL DEMAND IN 1972 FOR BOTH RESIDENTIAL AND COMMERCIAL PURPOSES. IN ADDITION, THE FOLLOWING PERCENTAGE BREAKDOWN OF THE QTE QUALITY UNQTE OF INDUSTRIAL DEMAND MAY BE USEFUL (1974 FIGURES):

|  | LOW/<br>TEMP | MEDIUM/<br>TEMP | HIGH/<br>TEMP | REQUIRED<br>ELECTRIC |
|--|--------------|-----------------|---------------|----------------------|
|--|--------------|-----------------|---------------|----------------------|

#### CHEMICALS AND PETRO-

|                        |      |      |      |      |
|------------------------|------|------|------|------|
| CHEMICALS              | 2.5  | 33.7 | 48.0 | 15.8 |
| CONSTRUCTION MATERIALS | 2.2  |      | 90.2 | 7.6  |
| IRON AND STEEL         |      |      | 83.8 | 16.2 |
| FOOD                   | 59.2 | 25.3 |      | 15.5 |
| MECHANICAL INDUSTRIES  | 25.0 |      | 53.6 | 21.4 |
| TEXTILES AND CLOTHING  | 29.0 | 43.5 |      | 27.5 |
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|       |      |      |
|-------|------|------|
| PAPER | 76.6 | 23.4 |
|-------|------|------|

LOW TEMPERATURE IS LESS THAN 100 CENTIGRADES; HIGH TEMPERATURE IS ABOVE 250 CENTIGRADES.

3. TWO MEASURES OF THE QTE EFFECTIVENESS UNQTE OF EXISTING PLANTS ARE AVAILABLE: THE ENERGY USED PER LIRE OF VALUE PRODUCED AND THE ENERGY USED PER TON OF PRODUCT:

|  | KCAL/ORE (1972) | 1000 KCAL/<br>METRIC TON |
|--|-----------------|--------------------------|
|--|-----------------|--------------------------|

|                                              |      |       |
|----------------------------------------------|------|-------|
| CHEMICALS AND PETROCHEMICALS                 | 26.5 | 6.88  |
| NON-METALLIC MINERALS AND BUILDING MATERIALS | 84.5 | 1.49  |
| IRON AND STEEL                               | 82.1 | 1.25  |
| FOOD                                         | 13.9 | 1.49  |
| MECHANICAL INDUSTRIES                        | 7.3  | 8.93  |
| TEXTILES AND CLOTHING                        | 10.1 | 18.10 |
| PAPER                                        | 18.3 | 3.93  |

FOR THE ITALIAN ECONOMY AS A WHOLE, THE RATIO OF FINAL ENERGY DEMAND TO GNP IN 1972 WAS 1.2 KAL/LIRE OR 5.7 BARRELS OF OIL

EQUIVALENT/1,000 DOLRS (COMPARED TO A FIGURE OF OVER 8 BARRELS OF OIL EQUIVALENT PER 1,000 DLRS IN NORTH AMERICA). ITALIAN INDUSTRY, EVEN THOUGH IT IS WEIGHTED HEAVILY TOWARDS ENERGY-INTENSIVE SECTORS, IS RELATIVELY ENERGY EFFICIENT FOR TWO MAJOR REASONS: THE CAPITAL STOCK HAS BEEN ALMOST ENTIRELY RECONSTRUCTED SINCE 1945 (BUT SEE OUR COMMENTS BELOW ON CURRENT CONDITIONS); AND ITALIAN INDUSTRY GENERALLY PAYS WORLD PRICES FOR ITS ENERGY SUPPLIES.

4. CONCERNING WILLINGNESS TO ADOP NEW CONSERVAION TECHNOLOGY, EMBASSY HAS BEEN IN TOUCH WITH CONFEDERATION OF ITALIAN INDUSTRY (CONFINDUSTRIA) RE POINTS RAISED THIS ASPECT IN REFTEL. CONFIN- DUSTRIA IS CURRENTLY CONDUCTING FOR MINISTRY O INDUSTRY A NATIONWIDE SURVEY OF ENERGY AND HAS PROMISED PROVIDE MOREMEANINGFUL  
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(MORE COMING)

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ACTION EUR-12

INFO OCT-01 ISO-00 EB-08 OES-09 SOE-02 ICA-20 PA-02  
INT-05 AGRE-00 CIAE-00 INR-10 NSAE-00 /069 W  
-----035553 011917Z /44

P R 011500Z AUG 78  
FM AMEMBASSY ROME  
TO USDOC WASHDC PRIORIY  
INFO SECSTATE WASHDC 4601  
DOE  
\*AMCONSUL MILAN 1473  
AMEMBASSY PARIS

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MEANINGFUL  
ANSWERS BY MID-AUGUST. EMBASSY WILL CONTINUE PRESS FOR INFOR- MATION ASAP, AND SUGGESTS BRIEF INTERIM WAIT WORTHWHILE IF MORE CURRENT DATA IS FORHCOMING. IN MEANTIME WE WOULD OTE THAT THE LARGEST ENERGY USER, THECHEMICAL AND PETROCHEMICAL SECTOR, IS

UNDERGOING FINANCIAL CRISIS. THE STEEL INDUSTRY IS ALSO IN THE MIDST OF CRISIS, AS ARE THOSE PARTS OF THE NON-METALIC MINERALS INDUSTRY THAT ARE CONSTRUCTION RELATED. RESOLUTION OF THESE FINANCIAL CRISES IS TIED TO A MAJOR INDUSTRIAL RESTRUCTURING AND RECONVERSION PROGRAM. WHILE THERE IS STRONG CONSCIOUSNESS OF NEED FOR ENERGY CONSERVATION TECHNOLOGY, JOB-CREATING INVESTMENT WILL TAKE PRIORITY UNDER GOVERNMENT-ASSISTED INVESTMENT PROGRAMS. FOR THE NEAR-TERM, SPECIFICALLY ENERGY-RELATED INVESTMENT MAY THEREFORE BE SEVERELY RESTRICTED SO FAR AS PUBLIC FUNDS ARE CONCERNED.

5. SO FAR AS POLICY (AS OPPOSED TO INVESTMENT) IS CONCERNED, THE ITALIAN GOVERNMENT STANCE WITH RESPECT TO ENERGY CONSERVATION HAS BEEN STRONG. CURRENT INDUSTRIAL ENERGY CONSERVATION POLICY IS CENTERED AROUND THE NATIONAL ENERGY PLAN (NEP) (APPROVED BY PARLIAMENT IN OCTOBER 1977) AND BY THE INTERMINISTERIAL UNCLASSIFIED

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COMMITTEE FOR ECONOMIC PLANNING (CIPE) IN MARCH 1978, AND LAW 675 ON RESTRUCTURING THE INDUSTRIAL SECTOR. ENERGY CONSERVATION IS TO BE ACCOMPLISHED PRIMARILY THROUGH A) HIGHER ENERGY PRICES; B) GOVERNMENTAL REGULATORY MEASURES AND C) GOVERNMENT-FUNDED ADVERTISING AND RESEARCH PROGRAMS.

6. THE GOVERNMENT CONTROLS THE PRICE OF ENERGY PRODUCTS IN ITALY. THE INTERMINISTERIAL PRICE COMMITTEE (CIP) TOGETHER WITH PROVINCIAL PRICING COMMITTEES SETS MAXIMUM PRICES FOR ALMOST ALL PETROLEUM PRODUCTS, ELECTRICITY AND NATURAL GAS FOR NON-INDUSTRIAL USERS. CIP ALONE CONTROLS NATURAL GAS PRICES FOR INDUSTRIAL USE. SINCE JANUARY 1976, PRICES OF ALL MAJOR PETROLEUM PRODUCTS HAVE RISEN, LARGELY DUE TO STEEP INCREASES IN TAXES. THE BURDEN OF TAX (SHARE OF TAX RELATIVE TO SELLING PRICE) RANGES FROM 72 PERCENT FOR PREMIUM GASOLINE TO 10 TO 30 PERCENT FOR OTHER OIL PRODUCTS. IN ADDITION, A GRADUAL DEREGULATION OF OIL PRODUCT PRICES IS CONTEMPLATED, THE SO-CALLED QTE LIBERALIZED QTE PRICE SYSTEM WHICH WILL GENERALLY RESULT IN HIGHER PRICES. IN THIS SAME PERIOD, NATURAL GAS PRICES HAVE RISEN 50 PERCENT WITH COAL PRICES UP 35 PERCENT. ELECTRICITY RATES HAVE NOT RISEN AS FAST AS OTHER ENERGY PRICES BUT IN RECENT MONTHS ENEL (STATE ELECTRIC UTILITY) RATES HAVE BEEN RAISED. RATE HIKES OF 14 PERCENT HAVE ALREADY BEEN MADE WITH A FURTHER 16 PERCENT INCREASE EXPECTED LATER THIS YEAR.

7. LAW 675, ENTITLED QTE LAW FOR COORDINATION OF POLICIES FOR INDUSTRIAL RESTRUCTURING, RECONVERSION, AND DEVELOPMENT UNQTE WAS PASSED IN AUGUST 1977 (SEE ROME A-76). (THE LAW, AMONG OTHER THINGS DIRECTS CIPE TO PERSUADE INDUSTRIES TO PROMOTE SYSTEMS AND PRODUCTION REQUIRING LOW ENERGY CONSUMPTION. OBJECTIVES OF THE LAW INCLUDE A) LIMIT ON THE GROWTH OF ENERGY INTENSIVE INDUSTRIES;

B) DEVELOPMENT OF A POLICY OF SUPPLY AND RATIONAL UTILIZATION OF  
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RAW MATERIALS AND ENERGY; AND C) ENERGY EFFICIENCY IMPROVEMENTS IN MANUFACTURING PLANTS AND PROCESSES. THE MAJOR FEATURE OF THE LAW IS THE ESTABLISHMENT OF A FUND FOR INDUSTRIAL RESTRUCTURING AND CONVERSION AND ANOTHER FOR FINANCING ENERGY SAVING RESEARCH AND DEVELOPMENT IN THE INDUSTRIAL SECTOR. HOWEVER, PROCEDURAL PHASES ARE STILL INCOMPLETE AND IT IS NOT CLEAR WHEN ENERGY ASPECTS WILL BE IMPLEMENTED. AT THE PRESENT TIME, GOVERNMENT FUNDS ARE NOT AVAILABLE FOR INVESTMENT IN CONSERVATION TECHNOLOGY.

8. LAW 373 ON ENERGY CONSERVATION IN BUILDINGS AUTHORIZED THE MINISTRY OF INDUSTRY TO SPEND 1.8 MILLION DLRS. FOR A NATIONAL PUBLICITY CAMPAIGN TO PROMOTE ENERGY SAVING. IN THE LAST TWO YEARS, MEDIA ADVERTISING HAS BEEN FREQUENT. IN ADDITION TO THIS MAJOR CAMPAIGN, THE MINISTRY OF HEALTH AND PUBLIC AND PRIVATE COMPANIES HAVE MOUNTED PUBLICITY CAMPAIGNS USING THE MEDIA, SYMPOSIUMS, CONFERENCES, AND FREELY DISTRIBUTED LITERATURE. ALSO, SINCE 1976, ENEL HAS OFFERED ENERGY SAVING ASSISTANCE AND COUNSELING TO ELECTRICITY CUSTOMERS.

9. THE ONLY OTHER MAJOR GOVERNMENT-FUNDED CONSERVATION PROJECT IS A 50 MILLION DLRS, 5-YEAR QTE TARGETTED ENERGY PROJECT UNQTE OF THE NATIONAL RESEARCH COUNCIL (CNR. CNR HAS AN ACTIVE, YET SMALL, RESEARCH PROGRAM UNDERWAY AND ANTICIPATES GOOD RESULTS. HOLMES

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## Message Attributes

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**Decaption Date:** 01 jan 1960  
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**TAGS:** BEXP, ENRG, TECH, XG, XF  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014